

PUBLIC SERVICE COMMISSION OF WISCONSIN

Minutes and Informal Instructions of the Open Meeting of Thursday, November 6, 2014

The Public Service Commission of Wisconsin (Commission) met as noticed. Present were Chairperson Montgomery, Commissioner Callisto and Commissioner Nowak.

Minutes

The Commission approved the minutes of the open meeting of Thursday, October 30, 2014.

Commissioner Callisto abstained as he was not present at the October 30 meeting.

5-CE-145 - Joint Application of Wisconsin Electric Power Company, Madison Gas and Electric Company, and WPPI Energy for a Certificate of Authority to Upgrade Various Power Block Equipment at Elm Road Generating Station Units to Facilitate the Use of Sub-Bituminous Coals or Powder River Basin Coals as a Fuel Source

Clean Wisconsin's and the Citizens Utility Board's Petition for Contested Case Hearing

The Commission approved the request for a hearing filed on behalf of Clean Wisconsin and the Citizens Utility Board. The Commission directed staff to prepare and the Secretary to the Commission to sign on behalf of the Commission a Notice of Proceeding setting the matter for hearing.

The Commission further directed that this matter shall be returned to the Commission for final review and approval.

5-FE-100 - Quadrennial Planning Process II

Quadrennial Planning Process II—Renewable Energy Program Proposal

The Commission discussed this matter and made determinations, including the following, regarding the renewable energy program proposal:

1. For 2015, the amount of \$5 million in incentives will be available from the Focus on Energy annual budget (of which approximately \$4.2 million has already been allocated).
2. The amount of \$450,000 in prescriptive incentive funds will be maintained (out of the \$5 million in available incentives).
3. The amount of \$10 million, from undesignated funds, will be allocated for the initial revolving loan budget, to be distributed over a four-year period.

4. Projects will be eligible for both an incentive and a loan. If a project receives both an incentive and a loan, the incentive plus the loan cannot equal more than 50 percent of the project cost. If incentives are fully subscribed, or if an applicant chooses, a project may use the loan fund without also receiving an incentive.
5. The Program Administrator, Chicago Bridge and Iron (CB&I), shall work with Commission staff to determine an appropriate cap on the incentive amount. The cap should be consistent for all projects eligible for a loan regardless of whether they utilize the loan program in order to incentivize use of the loan fund.
6. CB&I shall work with Commission staff to determine how to incorporate the loan fund with projects that have already been granted an incentive for 2015. For example, if an approved project would like to utilize the loan fund in addition to the incentive, the applicant can agree to a reduced incentive.
7. CB&I shall work with Commission staff to determine specific criteria for ranking applications on a competitive basis.
8. For 2016, the amount of \$3.5 million in incentives will be available from the Focus on Energy annual budget (of which approximately \$200,000 has already been allocated).
9. The amount of \$450,000 in prescriptive incentive funds will be maintained (out of the \$3.5 million in available incentives).
10. The revolving loan program shall be continued.
11. Before mid-2016, CB&I shall report back to the Commission to determine whether both the incentives and loan programs should move forward into 2017. CB&I should not obligate past 2016 until the Commission has been updated on the progress of both the incentives and loan programs. Should the Commission determine at that point that the loan program should be halted, any remaining dollars that were reserved for the loan fund would go back to the undesignated fund, and the Commission would determine the future use of those dollars. The funds would not automatically roll into other Focus programs.

Commissioner Callisto dissented.

The Commission directed the Gas and Energy Division to draft an order consistent with its discussion. The order shall be returned to the Commission for final review and approval.

6690-UR-123 - Application of Wisconsin Public Service Corporation for Authority to Adjust Electric and Natural Gas Rates

The Commission discussed this matter and made preliminary determinations, including the following:

1. All of the uncontested alternatives for the uncontested issues were accepted in this matter. In connection with the uncontested alternative for Issue 18 on the Final Decision Matrix, the Commission clarified that if Wisconsin Public Service Commission (WPSC) does not come in for a rate case in 2015, WPSC shall work with Commission staff to develop metrics for its 2016 customer service conservation by no later than October 1, 2015.
2. The post-audit purchased power contracts shall be included in the final revenue requirement as information regarding these contracts was provided to Commission staff and the parties, and no objections were received regarding inclusion.
3. Escrow treatment for network transmission charges and fees of the American Transmission Company and the Midcontinent Independent System Operator, Inc. (MISO), is authorized for the years 2015 and 2016. This issue will be revisited in WPSC's next full rate case.
4. WPSC's estimated Integrys Customer Experience (ICE) software project expenses shall be adjusted downward by \$4.9 million (\$4.5 million Wisconsin Retail) to match accounting assumption for useful life and for an unexplained variance in costs.
5. The pay-at-risk incentive compensation shall be removed from the revenue requirement.
6. A one-year amortization of the remaining revenue stabilization mechanism credits is approved, which doubles the credits that are shown in Ex.-PSC-Albrecht-1.
7. It is not necessary to include a specific order point or otherwise address in this proceeding the project cost variance for the new multi-pollutant control technology at Weston unit 3 (known as ReACT™) as no rate recovery for this project is being sought in this proceeding.
8. A reasonable long-term range for common equity in WPSC's financial capital structure is 49 to 54 percent.
9. A reasonable target level for WPSC's test-year average common equity on a financial basis is 51 percent.

10. A reasonable rate of return on WPSC's common equity is 10.20 percent.

Commissioner Callisto dissented.

11. A reasonable interest rate for WPSC's short-term borrowing through commercial paper is .65 percent.
12. A reasonable interest rate for WPSC's forecasted \$250,000,000 long-term debt is 4.8 percent.
13. It is reasonable to consider the full range of cost-of-service study results presented in the record when allocating test year 2015 electric revenue responsibility.
14. It is not appropriate to specify what specific costs should be considered when setting fixed charge rates for residential and small commercial customers, as doing so would require the Commission to adopt one cost-of-service study, which is contrary to long standing Commission practice.
15. A reasonable electric revenue allocation, with revenue stabilization mechanism credits applied, is: Residential (Rg), 3.00 percent increase; Small Commercial (Cg-1), .44 percent decrease; Small Commercial (Cg-3), .50 percent decrease; Small Commercial (Cg-5), .53 percent decrease; Medium Commercial (Cg-20), 3.01 percent increase; Large Commercial Industrial (Cp), 3.62 percent increase; and Lighting and Miscellaneous, .95 percent increase.

Commissioner Callisto dissented.

16. Changes in the final revenue requirements for electric service shall be allocated using the most appropriate cost allocator, if known. If an allocator cannot be identified for various changes in the revenue requirement, then a neutral allocation should be used.
17. The appropriate overall electric rate design proposed by WPSC in Ex.-WPSC-Laursen-2, as adjusted for the remaining sub-issues and the final revenue requirement, is approved.

Commissioner Callisto dissented.

18. The electric fixed charges for energy-only customers will be increased to \$19 for residential customers, \$25 for single-phase commercial customers and \$40 for three-phase commercial customers, with the energy charges adjusted accordingly.

Commissioner Callisto dissented.

19. The changes in the Cg-20 customer charges, energy charges and system demand charges proposed by WPSC in Ex.-WPSC-Laursen-2, as adjusted for the final revenue requirement, are approved.

Commissioner Callisto dissented.

20. The changes in the energy charges and system demand charges for the Cp rate class proposed by WPSC in Ex.-WPSC-Laursen-2, as adjusted for the final revenue requirement, are approved.

Commissioner Callisto dissented.

21. The current Cp-12 interruptible credit rate shall be maintained.

22. The \$10 per megawatt-hour adder in the WPSC Real Time Market Pricing tariff shall be maintained.

Further, WPSC shall meet with the Wisconsin Industrial Energy Group and other interested stakeholders to evaluate the adder and report back to the Commission no later than April 2, 2015, on the status of the discussions.

23. It is not reasonable at this time to include a credit for avoided transmission costs in WPSC's PG-2A and PG-2B rates. WPSC shall meet with Renew Wisconsin and other interested stakeholders to discuss a proposal for inclusion of a credit in a future rate case.

Commissioner Callisto dissented.

24. At this time it is not necessary to direct WPSC to perform a study of distributed generation within its service territory.

Commissioner Callisto dissented.

25. It is reasonable to consider multiple natural gas cost-of-service studies and other factors when allocating revenue responsibility.

26. WPSC's gas rate proposal to raise the monthly customer service charges to \$17, \$150, and \$620 for residential/standard volume commercial, medium volume commercial, and large volume commercial natural gas customers, respectively, shall be adopted.

Commissioner Callisto dissented.

27. WPSC's coal displacement gas transportation tariff shall be eliminated.

Chairperson Montgomery dissented.

28. WPSC's proposed overall natural gas rate design, as adjusted for changes to revenue requirement resulting from the Commission's decisions on other issues, shall be adopted.

Commissioner Callisto dissented.

29. The tax gross-up from WPSC's natural gas main extension tariff shall be eliminated.

30. It is not reasonable at this time to allow for the aggregation of allowances for natural gas main extensions.

31. WPSC shall not be required to interpret its gas extension tariff differently so as to attribute less costs to the first user, but Commission staff shall investigate, through the issuance of data requests, how other gas utilities interpret and apply their tariffs to "first users."

The Commission directed the Gas and Energy Division to draft an order consistent with its discussion. The order shall be returned to the Commission for final review and approval.

Commissioner Callisto abstained from the final vote.

CLOSED SESSION – The Commission recessed the open meeting, went into closed session under Wis. Stat. § 19.85(1)(g) to discuss the litigation matters noted below with legal counsel, and reconvened the open meeting pursuant to Wis. Stat. § 19.85(2).

Commissioner Callisto moved, pursuant to Wis. Stat. § 19.85(1)(g), that the Commission convene in closed session to discuss the litigation matters listed below. Commissioner Nowak seconded the motion. The motion was carried and the Commission went into closed session.

After a discussion in closed session, the Commission reconvened in open session.

FERC Docket Nos. ER14-2850-000 and ER14-2851-000 (dockets not consolidated) – Southwest Power Pool, Inc.

Consideration of Potential Participation in Dockets

During the discussion held in closed session, information was presented to the Commission regarding the above litigation matter. No motion was made with respect to this item.

FERC Docket No. EL14-12-000 – Association of Business Advocating Tariff Equity Coalition of MISO Transmission Customers, et al., v. Midcontinent Independent System Operator, Inc., et al.

Review of Status and Consideration of Participation in Docket

During the discussion held in closed session, information was presented to the Commission regarding the above litigation matter. No motion was made with respect to this item.

FERC Docket No. EL15-17-000 – Michigan Public Service Commission v. Midcontinent System Operator, Inc.

FERC Docket No. ER14-2952-000 – Midcontinent Independent System Operator, Inc. (dockets not consolidated)

Status and Consideration of Potential Further Pleadings

The Commission modified and approved the filing of a Notice of Intervention and Protest with the Federal Energy Regulatory Commission (FERC) consistent with its discussion.

The Commission adjourned the meeting at 1:20 p.m.

Sandra J. Paske
Secretary to the Commission

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